

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7129
BILL NUMBER: HB 1914

DATE PREPARED: Jan 4, 1999
BILL AMENDED:

SUBJECT: Inventory property taxes.

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FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(126,000,000)	(208,400,000)
State Expenditures			
Net Increase (Decrease)		(126,000,000)	(208,400,000)

Summary of Legislation: This bill provides a credit against state tax liability for property taxes paid on inventory.

Effective Date: January 1, 1999 (retroactive).

Explanation of State Expenditures: The Department of Revenue (DOR) will have additional administrative expenses related to the updating the tax forms, instructions, computer programs and monitoring this tax credit. These expenses will be covered under their existing budget.

Explanation of State Revenues: This bill would allow a business inventory tax credit based on the amount of property taxes paid on inventory up to a maximum of \$70,000 in assessed value in a tax year beginning in 1999, and increases as outlined in the table below. The credit may be taken against the taxpayer's liability under the corporate gross income tax, adjusted gross income tax, supplemental net income tax, bank tax, savings and loan association tax, insurance premium tax, and the financial institution tax. If a pass through entity does not have an income tax liability, the credit may be taken by the shareholder(s) or partner(s) in relation to their distributive income in which they are entitled from the pass through entity. If the amount of the credit exceeds the taxpayer's liability, they may carry forward the excess in subsequent years or get a refund. A taxpayer is not entitled to a carryback of any unused credit. This tax credit will reduce income tax

revenue by the following amounts:

Tax Year	Max AV Allowed	Estimated Net Inventory Tax	FY Tax Impact	Rev Loss
1999	\$70,000	\$419.2 M	FY 2000	\$126.2 M
2000	200,000	443.4 M	FY 2001	208.4 M
2001	1,000,000	468.9 M	FY 2002	354.9 M
2002	100%	465.1 M	FY 2003	465.1 M

The tax credits would continue to grow in tax years 2003 and years after. Tax revenue from the various taxes noted above are deposited in the General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Revenue, State Tax Board.

Local Agencies Affected:

Information Sources: Local Government Database.